

Crypto Market Regulation in 2018

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Experts [believe](#) that in 2018, we can expect that governments will increase control over ICO market, cryptocurrency exchanges, and traders. At the same time, major central banks of the world appreciate the cryptocurrency potential—in particular, bitcoin—and are [ready](#) to purchase it next year. We have examined in what directions the approach of various financial bodies toward crypto market will develop in 2018.

ICO regulation

This year monetary authorities in many countries have [introduced ICO regulation](#) and expressed their attitude toward this way of attracting investment. So, China and South Korea officially **banned** the ICO held on their territories. On the contrary, the USA, Canada, Switzerland, Japan, Singapore, and U.A.E. issued several decisions that permit ICO officially, with ICO being subjected to the fiscal authorities regulation. Issued tokens may fall under existing laws, for example, the one regulating interfund transactions. According to Jerry Brito, Executive Director of the nonprofit organization [Coin-Center](#), governments will follow the US example and increase control over token sales in 2018. In the USA, some specific tokens in an ICO are considered securities and regulated under relevant laws. Stephen Obie, a partner at international law firm Jones Day, [expresses](#) a similar idea:

"I think certainly more clarity will come about through enforcement actions and other guidance that the SEC will give in the tokenized marketplace. The regulator knows about

this market and takes it seriously."

Cryptocurrency Regulation

Experts believe that actions similar to ICO will be taken in respect of cryptocurrency, in particular, bitcoin. Dmitriy Zhulin, co-founder of INS Ecosystem, [dwells upon](#) this issue:

"As Bitcoin booms, regulation will first frame ICOs and then move on to cryptocurrencies, however, it is difficult to now predict if this will have a positive or negative outcome for the industry. Despite an increase in regulation in the crypto space, I believe that blockchain as a technology will not be hindered by heavy regulation."

Bitcoin transactions are already [banned](#) in countries, such as Bolivia, Ecuador, India, Bangladesh, Iceland, Kyrgyzstan, Morocco, Nepal, Malaysia, Indonesia, and Taiwan. At the same time, China, where it is [banned](#) to trade on local cryptocurrency exchanges, and Russia are [preparing](#) bills of cryptocurrency regulation, which could come into force in 2018. In the United States, bitcoin investors will have to [report gains](#) to the Internal Revenue Service (IRS) and pay tax according to Notice 2014-21.

On December 4, the UK and EU financial regulators [declared](#) about planning to pass the law under which cryptocurrency traders and investors, in some cases, would be required to disclose their personal information, and cryptocurrency exchanges would have to provide authorities with access to user information. According to the state financial bodies, these measures are necessary to prevent money-laundering activity and terrorism financing. Harmonization of different approaches toward this issue will be completed in early 2018, and the law will come into force by the end of the next year.

G7 central banks and cryptocurrency

Every sign indicates the reinforcement of the crypto market regulation by financial authorities in different countries. Regulators, however, see the potential in cryptocurrency as well. In 2018, G7 central banks will start [buying](#) cryptocurrencies to

bolster their foreign reserves. A turning point for G7 central banks will be when the bitcoin market capitalization exceeds the value of all SDR (special drawing rights). It is an international reserve asset created by the International Monetary Fund (IMF) to supplement its member countries' official reserves. Bitcoin capitalization, for example, has already exceeded the value of the SDR (approximately \$291 billion).

Another tipping point will be the realization that the values of G7 currencies are devaluing against cryptocurrencies. In 2018, we will witness bitcoin and other cryptocurrencies becoming the most significant international currencies by market capitalization, according to [experts](#).

National digital currency

By creating national digital currencies, many countries are even planning to translate their national currencies to blockchain. Jim Angleton, President of Aegis FinServ Corp, is [sure](#) that the number of countries producing such currencies will only grow:

"We know that nowadays 108 countries are experimenting with issuing digital currencies in favor of eliminating their paper currency and exiting dependence upon the USD. We believe 20+ Countries will begin Beta Testing towards their goals."

Last October, we came to know that Russia would [get](#) its own national digital currency, cryptoruble. The government will take control over issuance and circulation of cryptoruble in Russia, with cryptocurrency mining becoming impossible. Also, Venezuelan President Nicolás Maduro issued an instruction, according to which the launch of the national cryptocurrency El Petro is [planned](#) in the next year. Venezuelan natural resource stocks, such as gold, oil, and diamonds, would back El Petro.

The ICO and crypto trading were officially **banned** in China, but it was the first country that [tested](#) the digital prototype of the national currency. Yao Qian, head of the Digital Currency Research Department at the People's Bank of China, stated that the financial regulator must [issue](#) national cryptocurrency that would serve as a legal tender as soon as possible.

In December the central **banks** of the United Arab Emirates and Saudi Arabia [launched](#) a pilot initiative for cross-border payments. The involvement of Saudi Arabia's central **bank** is notable, given that before there were no official statements about cryptocurrency, crypto market, or blockchain by country's financial regulators. The U.A.E., in its turn, is developing a number of blockchain projects in the private and public sector, and [Global Blockchain Council of Dubai](#) is in charge of many of them.

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